

Arizona Department of Health Services Office for Children with Special Health Care Needs Children's Rehabilitative Services Administration	Effective Date: 03/01/2007 Last Review Effective Date: 02/13/2008
SUBJECT: Financial Management	SECTION: FM 1.1

SUBTITLE: CRS Contractor Annual Financial Statement Review
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POLICY:

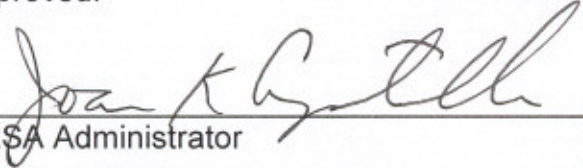
It is the policy of the CRSA to perform a consistent and timely review of all CRS Contractor Annual Audited Financial Reports. The purpose of this policy is to monitor CRS Contractor performance in accordance with contract requirements. All reports will be reviewed, within 15 days of receipt, to determine the timeliness, accuracy, and completeness of the filing as well as to determine compliance with the financial viability standards and performance guidelines.

PROCEDURE:

- 1) The CRSA Finance Manager will review the following documents:
 - a) Annual audited financial statements submitted by each CRSA Contractor;
 - b) Annual Audited and Plan Year to Date Reconciliation Documents; and
 - c) CRSA Financial Disclosure Statements.
- 2) Review:
 - a) The CRSA Finance Manager will review the documents to ensure that they reconcile with each other and to the most recent fourth quarter financial statement. The CRSA Finance Manager will note any deficiencies.
 - b) If there are notable deficiencies, the CRSA Finance Manager will contact the CRSA Contractor and request clarification or correction.
 - c) The CRSA Contractor will forward the Annual Audited Financial statement packages to the AHCCCS Finance Manager no later than the date allowed in the CRSA AHCCCS Inter-Governmental Agreement.
- 3) Follow-up:

If a site shows significant submission problems, the CRS Finance Manager will meet with the contractor to discuss the issue.
- 4) Failure to Comply:
 - a) CRSA has the authority through contract to take action if a CRS Contractor fails to comply with financial reporting requirements or fails to meet capitalization and/or viability standards. These actions may include:

- i) Failure to submit accurate, timely, and complete financial statements and related deliverables may result in sanctions or withholding of capitation payment;
- ii) Failure to meet financial viability standards may result in CRSA requiring the submission of monthly financial statements along with the quarterly and annual required reporting;
- iii) CRSA may require that the amount of the surety be increased to offset insufficient equity;
- iv) In addition to monthly reporting, a CRS Contactor that fails to meet the financial viability standards may be required to submit a fiscal corrective action plan that outlines the steps that will be taken to return to profitability and financial stability; or
- v) If the above remedies are ineffective and/or a CRS Contractor is unable to fund an audited accumulated fund deficit as required in contract, CRSA may commence contract termination.

Approved:  CRSA Administrator	Date: <u>2/18/08</u>
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